

From: Randy Gelber [REDACTED]@epicgames.com>
Sent: Wed, 30 Sep 2020 21:29:49 +0000 (UTC)
To: "[REDACTED] (David Wallerstein)" <[REDACTED]@tencent.com>
Cc: San Phan <[REDACTED]@epicgames.com>; "[REDACTED] (BenFeder)" <[REDACTED]@tencent.com>; Dara Leung [REDACTED]@epicgames.com>
Bcc: [REDACTED]@epicgames.com
Subject: Re: (Internet mail)

Moving Tim, Adam, Daniel, Canon, Mark and Jay to Bcc.

Hi David,

Please see responses to your questions below.

EXHIBIT 10708

1. Can we get a sense what our revenue loss has been in September by not being on iOS or Google play? If we see FN revenues dropping, would be helpful to confirm how much of that is related to the mobile platforms.

Revenue loss from not being on iOS and Google Play is estimated to be about \$17-\$23mm.

Prior to being removed from the app stores, iOS and Google Play made up ~9% of Fortnite overall revenue (90-day trailing average). We believe 20% to 40% of this mobile revenue transferred to other platforms -- and as a result, the net loss is expected to \$17-\$23mm in September.

Mobile losses are factored into the Fortnite revenue decline from August (\$441m) to September (~\$300m). However, the primary reasons for the MoM decline are seasonal decay from back-to-school, certain live events returning such as the NFL, NBA, NHL, etc., underperformance on certain content releases (BTS emote, Corrupted Legends), and the 20% Mega Drop price reduction across V-Bucks, Battle Pass, and starter packs.

2. Good to hear about Rocket League (RL). To what extent will we see a lift in RL revenues for September based on the traction? Have RL monetization metrics shown a clear uptick?

Yes, we will see a lift in Rocket League September revenue given the successful F2P launch.

Rocket League went F2P last Wednesday September 23rd -- and the game has generated more than \$10mm of revenue in the first six days of launch. Historically, daily revenue for Rocket League has hovered around \$500K YTD July 2020 and since the F2P launch has hovered closer to \$1mm.

Monetization metrics have shown a clear uptick with the best ever cumulative revenue performance for any Rocket Pass launch. It is too early to believe this is a permanent step change in Rocket League monetization, but early performance of F2P has exceeded our expectations.

3. EGS: we've clearly reached a new MAU level after the summer, but monetization doesn't show a clear growth pattern. Do we have a new forecast for EGS 2020 revenues, and thereby also an update Re: forecasted MG losses?

EGS 2020 revenue expectations have been shifted down \$150mm -- from \$400mm in the original plan to ~\$250mm.

Key drivers for lowered revenue are:

- -\$115mm delayed title launches: Tier 1 titles that were supposed to launch in 2020 have been

delayed to 2021 including Saints Row 5, Dead Island 2 and Chivalry 3

- -\$100mm weaker than expected sales performance from launched titles
- +\$70mm stronger than expected sales performance for non-minimum guarantee titles

The current EGS portfolio of exclusive titles is expected to recoup 50-55% of the \$1.2bn of combined minimum guarantees down from 65% at the beginning of the year .

4. For the engine sales, I was wondering to what extent the mix of sales was coming more from enterprise vs game developers now? Could we get a sub breakdown for Engine sales by client/Industry type, e.g., game developer royalties, architectural, automotive, etc.

Engine revenue mix is roughly 85% Gaming vs. 15% Enterprise. Monetization with Enterprise is ramping up, with the most traction in AEC, M&E, and Automotive which currently represent about 3/4 of Enterprise bookings.

Let me know if you have any questions or if you want to dig deeper on any of these topics in November.

Regards, Randy

On Tue, Sep 29, 2020 at 4:48 AM [REDACTED] (David Wallerstein) <[REDACTED]@tencent.com> wrote:

Hello San, All,
Congrats on a great August and a promising September,

Some questions, not necessarily in order:

—Can we get a sense what our revenue loss has been in September by not being on iOS or Google play? If we see FN revenues dropping, would be helpful to confirm how much of that is related to the mobile platforms.

—good to hear about Rocket League (RL). To what extent will we see a lift in RL revenues for September based in the traction? Have RL monetization metrics shown a clear uptick?

—EGS: we've clearly reached a new MAU level after the summer, but monetization doesn't show a clear growth pattern. Do we have a new forecast for EGS 2020 revenues, and thereby also an update Re: forecasted MG losses?

-for the engine sales, I was wondering to what extent the mix of sales was coming more from enterprise vs game developers now? Could we could get a sub breakdown for Engine sales by client/Industry type, e.g., game developer royalties, architectural, automotive, etc.

Thanks much.

David Wallerstein
Tencent

On Sep 29, 2020, at 5:54 AM, San Phan [REDACTED]@epicgames.com> wrote:

Dear Board Members,

Attached is the August Board Report with highlights on the financial performance in August below. For September, Fortnite revenue is pacing to surpass \$300mm in the month. Player levels have tailed off from high summer levels due to back-to-school, but remain at significantly higher levels than at this time in 2019. Weekly average users for the week of 9/14/20 was 43.5mm versus 35.1mm a year ago. Payer health remains strong, driven by recent content hits like the Marvel Battle Pass, licensed emotes, and the new original "Boundless" set of customizable superheroes. Fortnite has had more than 4mm weekly active payers for six consecutive weeks going back to mid-August - a first in Fortnite history.

September was a significant month for Rocket League. The game recently launched as a free-to-play offering on September 23 and is off to a tremendous start, setting a new DAU record of 11mm players this past weekend with the Llama Rama crossover event in Fortnite (the prior DAU record for Rocket League was 3mm).

August Highlights

- Epic recorded \$482mm of gross revenue in August, up 37% from a year ago. This represents the fifth consecutive month of year-over-year revenue growth. Boosted by the S14 Battle Pass, Fortnite generated \$441mm in the month and ended August with 74mm MAU.
- The Epic Games Store recorded MAU of 23mm and \$14mm in gross revenue. We continue to expect a back-end loaded year for the Store with key new releases in Q4.
- Engine posted \$14mm in revenue in August.
- EBITDAB in August was \$129mm. EBITDA in August was \$23mm, reflecting \$106mm in bonus expenses (nearly 20% was M&A related). The cash balance at the end of August was \$3.7bn.

Best,
San

<Epic Games August 2020 Board Report.pdf>